

The relationship between Concentric and Haldex

During late 2010 and the first half of 2011, the Haldex Group was restructured, in order to create a legal structure in which Concentric, comprising the operations of Haldex's Hydraulic Systems division, is a stand-alone subgroup under Haldex. This section provides an account of the restructuring as well as the current and future relationship between Concentric and the Haldex Group. Although Concentric will be independent of Haldex following the distribution and listing, Concentric and Haldex will continue to have a number of business relations.

The proposed distribution of the shares in Concentric means that the operations of the Haldex Group will be split. The starting point for the split and the various agreements entered into to accomplish the split is that Concentric will comprise and be responsible for the Hydraulic Systems division of Haldex, while Haldex will retain and be responsible for the Haldex Group's remaining operations, primarily consisting of the Commercial Vehicle Systems division. The agreements entered into by Concentric and Haldex have been made on arm's length and are not intended to restrict any future competition between the companies.

Restructuring of the Haldex Group

Following the restructuring of the Haldex Group and up until the contemplated distribution and listing, Concentric is a separate division within Haldex. Concentric's legal structure has been created through a series of intra-group share transfers (including acquisitions, sales, shareholder's contributions and dividends) of the legal entities pertaining to the Hydraulic Systems division as well as an intra-group asset transfer to Concentric. The Concentric Group structure was finalized in March 2011 and is illustrated in the chart below.

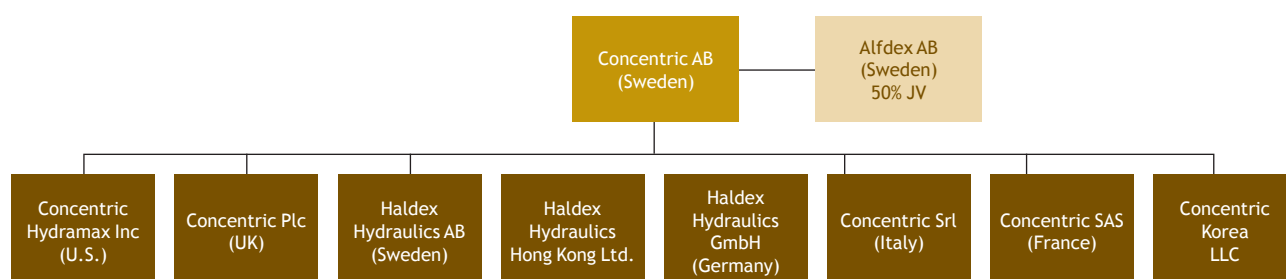
It is the opinion of Haldex and Concentric that the intra-group transfers have been made at fiscally correct prices. However, it cannot be ruled out that the tax authorities in the countries where transfers have been made will judge certain pricing to have been incorrect and that reassessments then may occur (see "Tax risks" on page 8).

Separation agreement

The restructuring of the Haldex Group for the purpose of separating Concentric from Haldex has been carried out pursuant to a master separation agreement between Concentric and Haldex, which has the character of a framework agreement for the separation. As part of the restructuring, all legal entities pertaining to the Hydraulic Systems division were transferred to Concentric. In addition to regulating the transfer of legal entities, the master separation agreement sets forth the general principles for the separation, including certain transitional services to be provided between Concentric and Haldex, and also stipulates that certain long-term agreements for other services and arrangements shall be entered into, including a service agreement involving Alfdex AB (see "Shared services" below) and a trademark license agreement (see "Trademark license agreement" below).

The general principle for the separation is that any asset or liability within a legal entity in one of the groups, but that is clearly attributable to the business of the other group, shall be transferred to, or borne by, the latter group. Consequently, Concentric shall indemnify Haldex for any liability resulting in a loss for Haldex, provided that such liability is clearly attributable to Concentric (and vice versa). The agreement also includes provisions covering the situation that legal claims are filed against the wrong group and a com-

Concentric's legal structure after the restructuring



mitment for the parties to work towards obtaining any consents and approvals needed for the separation. Furthermore, the parties shall work towards solving any problems that may arise as a result of the separation through co-operation and mutual understanding.

U.S. tax administration agreement

The reorganization of the Haldex Group has included a restructuring of its U.S. operations, through which Concentric's U.S. subsidiaries Concentric Hydramax Inc., Haldex Hydraulics Corp. and Haldex Concentric USH LLC were transferred from Haldex, Inc. to Concentric through a series of transactions. Haldex believes that the U.S. restructuring will be free of federal and state income tax in the United States. Haldex, Inc. has received a private letter ruling (the "IRS Ruling") from the United States Internal Revenue Service ("IRS") with regard to the restructuring based upon certain qualifications and conditions contained therein, all of which Haldex believes have been satisfied. The IRS Ruling concludes for U.S. federal income tax purposes, that the U.S. restructuring transactions will not result in taxable income for Haldex's U.S. subsidiaries. Although an IRS Ruling generally is binding on the IRS, the ruling does not rule that the U.S. restructuring satisfies every requirement for a tax free spin off. After discussions with its U.S. tax advisor, Haldex believes that all such requirements have been satisfied. For more information, see "Specific U.S. tax risk" on page 8.

A tax administration agreement has been entered into between the above-mentioned U.S. subsidiaries of Concentric on the one hand, and Haldex, Inc. (an entity to remain within the Haldex Group) on the other hand. Under the tax administration agreement, the parties have agreed, among other things, to allocate certain tax assets and tax liabilities. The main principle for allocating tax liabilities and tax assets is that each party is responsible for all taxes attributable to it for any taxable period, before, during or after the restructuring. Each party also covenants not to take or permit to be taken or fail to take any action where such action or failure would jeopardize or be inconsistent with the tax treatment confirmed in the IRS Ruling. Moreover, the parties have undertaken to indemnify each other for any adverse effects or other losses being the result of a breach of the tax administration agreement, including the parties' respective covenants in respect of the IRS Ruling. The indemnity applies even if controlling shareholders of the parties take certain actions that are inconsistent with the tax treatment as confirmed by the IRS Ruling.

If the U.S. restructuring transactions, in spite of the IRS Ruling, give rise to taxation of Haldex's U.S. subsidiaries,

and this is not due to an action or failure to act for which the taxed entity is to be indemnified in accordance with the above, then, pursuant to the tax administration agreement, Haldex's U.S. subsidiaries, on the one hand, and Concentric's U.S. subsidiaries, on the other hand, shall each be responsible for 50 percent of such taxes.

Shared services

Alfdex AB, a joint venture between Concentric (previously Haldex) and Alfa Laval AB, has operations in Landskrona, Sweden, where it purchases certain limited services from Haldex under a service agreement. The services consist of both external services, which Haldex purchases from third parties, and internal services provided by Haldex itself.

Trademark license agreement

Since the Concentric Group has been part of the Haldex Group, it has been using the trademark "HALDEX" in company names, domain names, on products and in its overall business. Following the separation of Concentric from Haldex, it has been agreed that all rights to the trademark "HALDEX" will continue to be owned by Haldex. Concentric will gradually substitute its use of the trademark with its own corporate identification. The transitional period, during which the trademark "HALDEX" may be used by Concentric is governed by a trademark license agreement that expires on 31 December 2013, or earlier if Concentric ceases its use of "HALDEX" prior to that date.

IT systems

Concentric was previously part of the Haldex Group's IT system. In connection with the restructuring, the IT systems have been separated and Concentric now has independent arrangements in respect of, for example, its e-mail and communication functions, active directory and enterprise resource planning (ERP) system. Concentric's corporate network has been separated from Haldex's network, but it is still provided under an agreement between Haldex and AT&T. The master separation agreement between Concentric and Haldex sets forth the principles for Concentric's rights and obligations vis-à-vis Haldex with respect to the AT&T agreement.

Discontinued relationships

Financing

Concentric has previously had no external financing of its own, but has been part of the Haldex Group financing arrangements, in which Haldex raises external financing and provides intra-group financing to its subsidiaries. In Feb-

ruary 2011, Concentric entered into a separate EUR 40 m (approximately SEK 360 m) multicurrency revolving credit facility agreement with Skandinaviska Enskilda Banken AB (publ) and Nordea Bank Finland plc, London branch as lenders and in May 2011 it was agreed by Concentric and Svensk Exportkredit that Concentric will issue a bond to Svensk Exportkredit in the amount of SEK 175m in connection with the contemplated distribution (for more information, see “Credit agreements” on page 73). The loan funds from the facility agreement and the bond loan will in part be used to repay all intra-group loans owed by Concentric to the Haldex Group. This repayment will take place immediately following the distribution of the shares in Concentric.

Up until the contemplated distribution, Concentric has no separate external hedging. Together with certain other Group companies, Concentric has entered into intra-group hedging arrangements with Haldex (the “**Hedge Contracts**”), whereby Haldex in turn entered into external hedging contracts in order to offset the exposure against internal cash flows. Upon the contemplated distribution, the Hedge Contracts will be transferred from Haldex to Concentric, and Concentric will in turn enter into separate external hedging contracts corresponding to the aggregate value of the Hedge Contracts.

Insurances

Up until the distribution of the shares in Concentric, Concentric will be covered by Haldex’s group insurance policy. At the time of the distribution of the shares in Concentric, this insurance coverage will be replaced by comparable coverage procured by Concentric. Special arrangements exist to

ensure that Concentric has uninterrupted insurance coverage for events attributable to the time prior to the separation.

Participation in Haldex’s incentive programs

Haldex has implemented two long-term incentive programs, LTI 2007 and LTI 2010, under which senior executives and key employees within the Haldex Group, including Concentric, have been allotted employee stock options that entitle to acquisition of shares in Haldex. In total eight Concentric employees were allotted employee stock options under LTI 2007 and LTI 2010. In light of the separation of Concentric from the Haldex Group, LTI 2007 and LTI 2010 have been terminated for employees of Concentric. As part thereof, the exercise period for employee stock options held by Concentric employees was brought forward. During the shortened exercise period, which expired in May 2011, a total of 105,000 Haldex shares were acquired by Concentric employees through the exercise of employee stock options. Upon exercise, the holders were also compensated in cash for the loss of time value due to the shortened exercise period. Non-exercised employee stock options held by Concentric employees have lapsed. For information on the number of shares in Haldex held by the Group’s senior executives (which shares will entitle to shares in Concentric), see “Senior management” on page 63.